



DEPARTMENT OF THE AIR FORCE
OFFICE OF THE CHIEF OF STAFF
WASHINGTON, DC



MEMORANDUM FOR ALL COMMANDERS

FROM: AF/CC

SUBJECT: Getting the Word Out on Outsourcing and Privatization (O&P)

I need your help in getting the right messages to our people. O&P is causing concern in the minds of our Air Force members, military, civilians and family members. Our people must understand O&P, why it is important to the Air Force, and how it will affect the workplace and jobs.

The attached packet of information provides the key messages our Air Force family needs to hear on O&P and its impact. I have included a narrative and answers to frequently asked questions. I urge you to discuss these messages at Commanders' Calls, Town Hall Meetings and other forums within the next few weeks. This information will be followed up with articles in Base newspapers, as well as other media, over the next few months. I will be releasing a CSAF NOTAM within the next few weeks that will contain specific career field impacts resulting from all reduction plans.

It is vital we assure our troops there will be time to plan and decide on the direction their careers will take as we redefine our military, civilian and contractor mix. We are being prudent with our O&P plan; cautious and measured with our approach. We have scaled back the program from the original numbers to make sure we do it right. Help me get the right word on O&P to our people.

MICHAEL E. RYAN
General, USAF
Chief of Staff

NARRATIVE

1. One of the most significant issues facing the Air Force today is Outsourcing & Privatization (O&P). It represents a fundamental change in how we provide essential services and how we perform key mission support tasks. Because O&P is such a dramatic departure from past practices and is associated with reductions in military and civilian levels over the next six years, there is some apprehension across the Air Force.
2. Our people must understand what O&P is, why it's important to the Air Force, and how it will impact the workplace and jobs. The following captures my thoughts on this subject and is a good starting point to answer some of the questions that feed apprehension in the force. I encourage each of you to lean forward and actively communicate this to our people.
3. Over the past several years we have worked hard to streamline our combat forces. Now it is time to focus on identifying and freeing up excess resources committed to our support functions. The Air Force must become more efficient to afford capabilities to support today's military requirements and to provide adequate investments for the future. The means to do this is through the O&P process.
4. What is outsourcing? Outsourcing through a competitive process is one way to provide support services more efficiently. It is not about the elimination of a service or function. It is about finding the most effective procurement of that service or function through a competition open to both private contractors and government employees.
5. What is privatization? Privatization is a slightly different concept. In privatization the AF goal is to get out of the business of performing a particular function. With privatization of a function the AF will now look to the private sector to perform specific tasks and own, operate and maintain the resources required to get the job done
6. O&P is necessary to free up critical dollars to modernize our forces and maintain our combat superiority. Since FY85, our Air Force budget has dropped by 50 percent. The Air Force budget is nearly flatlined over the next six years, even though our modernization, infrastructure, readiness and personnel cost requirements continue to grow. The average age of Air Force aircraft ranges from 11 years (F-15) to 35 years (KC-135 and B-52). Through the O&P process, we project that \$1.6 billion will be available for modernization by FY03.
7. O&P allows the Air Force to concentrate on its core warfighting competencies. The O&P program protects activities most closely tied to our warfighting requirements, deployment requirements and those requirements defined as "inherently governmental." An inherently governmental function is one that must be performed by a government employee, either military or civilian, and includes activities that require making decisions or obligating money on behalf of the government.
8. O&P preserves our critical support capability at less cost. Outsourcing does not result in a loss of capability. It is simply a shift to a more efficient procurement of an existing capability. Savings are accrued despite short-term costs associated with changing from military or civilian workers to contractors: for example, costs of incentivized separation or retirement programs, civilian buyouts, permanent change of station and retraining.

9. Through privatization, O&P provides leverage to help rejuvenate aging Air Force family housing by partnering with the private sector. We are facing a significant backlog of needed replacement, repair and upgrade work on existing housing. Money is not available to meet these needs in total for decades. Housing privatization will leverage government investment dollars by a 3-to-1 factor to meet improvement and replacement requirements sooner. The Air Force owns 110,000 housing units in the CONUS and overseas, and the average age of this housing is 35 years old. Of that total, 25 percent are at least 40 years old, so it is crucial that we begin repair and replacement efforts now. The Air Force housing master plan will make the most effective use of all sources of funds, private capital MILCON, and O&M, to revitalize all housing. This approach makes good financial sense and will improve quality of life for Air Force people.

10. In the future we will see some reductions in the number of people, but not like the massive reductions of the past. O&P reductions are moderate in light of the overall drawdown the Air Force has been undergoing since 1986. The Air Force was already projected to draw down by 39 percent between FY 86 and FY03 from 872,000 to 529,000. O&P projections, phased in over five years, will account for approximately another 25,000, or only 5 percent, between FY 98 and FY03.

11. With these additional personnel drawdowns comes concern that our people will have to do more with less. O&P does not result in a loss of capability, but rather a shift in how we get the job done. Bottomline here is those people who remain will not carry the weight of O&P on their backs.

12. We are aware that contractor performance is a key concern. The fear is that if the contractor “stumbles”, blue-suiters will have to pick up the slack. We will not let this happen. We will ensure that the contract includes incentives for superior performance and penalties for non-performance. With the right leverage imbedded in the contract, we will make sure that contractors performance is strong.

13. Our people need to know that there will be time to plan and decide on the direction their careers will take. Changes due to O&P are not projected to begin until FY00 and will continue through FY 04.

14. For those military people affected, we will offer cross-training opportunities into viable career fields, while continuing emphasis on quality of life. We will continue to refine and outline O&P impacts on specific AFSCs. O&P also allows us an opportunity to improve quality-of-life. As mentioned in paragraph 8, the Air Force housing privatization initiative accelerates the replacement of substandard housing. Additionally, base-level services will be maintained and perhaps improved.

15. We will support those military and civilian members who choose to leave the Air Force with ample time to plan and prepare, robust transition programs, and when appropriate, early release and incentivized programs. For our military members, we have requested Congress extend the authority to use special drawdown programs through FY03; these programs include temporary early retirement authority, voluntary separation incentive and special separation benefit, time in grade and commissioned service time waivers. For civilians, we will utilize incentivized transition programs such as voluntary separation incentive pay (VSIP), voluntary early retirement authority (VERA) and the priority placement program (ppp). In addition, we will make every effort to retain employees through reassignments and retraining.

16. I understand the apprehension and uncertainty O&P causes all people of our Air Force. As we redefine our military, civilian and contractor mix, I give you my word that we will use voluntary force shaping tools to the maximum extent possible. O&P's impact on our people, our mission and our Air Force is significant. We are being prudent with our O&P plan; cautious with the approach and methodical in its design. We have scaled back the program from the original numbers to make sure we do it right. Smart implementation is absolutely essential to sustaining the world's finest air and space force into the 21st century.

10 Key Air Force Messages on Outsourcing & Privatization

- 1. Free's Up Critical \$ For Modernization /Combat Superiority**
- 2. Allows Air Force To Concentrate On Core Competencies**
- 3. Preserves Critical Support Capability At Less Cost**
- 4. Provides Leverage To Rejuvenate Aging Family Housing**
- 5. We Are Reducing The Number Of People, But Not Through Massive Reductions Of The Past**
- 6. We Are Not Putting This On The Backs Of Those Remaining**
- 7. If The Contractor Stumbles, Blue-Suiters Should Not Pick Up The Slack**
- 8. There Will Be Time For People To Plan/Decide**
- 9. For Those Affected, There Will Be Cross-Training Opportunities Into Viable Career Fields**
- 10. For Those Leaving, Transition Assistance And Incentives Will Be Provided , Where Required**

Continued Emphasis on Mission, Readiness & People
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O&P QUESTIONS

1. Define Outsourcing and Privatization. What is the difference between the two?

A: Outsourcing is the competing of support services between public and private industry. The government retains full responsibility and control over the delivery of those services whether provided by government employees or contractors. Privatization is the transfer of control of a target business asset and/or associated activity from the public to the private sector; it's also characterized by the shift from public to private capital for the fundamental, long-term financial investment required. Currently, the two areas the Air Force has plans to privatize are Military Family Housing and utilities.

2. Is outsourcing an Air Force initiative, or is the entire DoD participating?

A: Outsourcing has been federal policy since the 1950s. The O&P initiative is a DoD priority to reduce operating costs while improving the way DoD does business and as an important by-product, to generate savings for modernization.

3. Will O&P result in a massive reduction in the number of AF people assigned to support career fields?

A: No. The Air Force was already projected to drawdown 39% (since 1986) by FY03, the O&P personnel losses only add another 5%. This includes reductions in support career fields as a result of O&P. So while O&P will result in personnel reductions, we do not anticipate losses comparable to those in the early '90s.

4. Does outsourcing equate to a reduction in end strength?

A: Normally, yes. Historically, outsourcing results in at least a 20% reduction in strength required in the affected function.

5. Bottom-line, how many jobs, both military and civilian, will be replaced by contractors?

A: It is too early in the process to determine how many jobs will be replaced by contractors. There is an extensive process to bid for jobs and some functions will likely remain in-house, performed by government employees. We have done almost 1200 competitions in the past and about 60% of them were awarded to contractors and 40% stayed in-house. If this trend continues, approximately 25,000 AF jobs may be replaced by contracts.

6. Recently the Chief sent out a message on AFS impact. What is the relationship between that message and the jobs lost because of O&P?

A: The Chief's message identifies the impact on Air Force career fields of all force sizing efforts to include projected manpower reductions due to Quadrennial Defense Review actions, force structure changes and O&P initiatives.

7. Is outsourcing a means to save money for modernization?

A: Yes, but that is not the only reason for O&P. The competitive process allows the Air Force to identify the most efficient way to deliver support services. By identifying alternate and innovative support vehicles, we also improve effectiveness by enabling more Air Force personnel to focus on our core missions.

8. What are the considerations given to ensure outsourcing makes sense?

A: O&P makes sense only if it meets AF needs for the future force. Therefore, the number one O&P goal is to sustain readiness, followed by improving performance, quality, efficiency, and cost effectiveness of AF activities; generating savings for modernization; and focusing personnel and resources on core activities.

9. Can you define the steps used in determining whether outsourcing will be used?

A: There is a decision tree process by which each function is evaluated, to determine if O&P is feasible. One of the first steps is to determine if the function is inherently governmental or a commercial activity (a recurring service that has the potential to be provided by a non-government source). The next major step is to exempt commercial activities required for national defense (i.e., military essential, wartime required). The last consideration is whether to compete the remaining commercial activities with the private sector to determine if outsourcing the function is cost effective.

10. Will people in career fields that are outsourced be retrained and moved to other operational fields?

A: As we grow into the Space and Air Force, we fully expect our best people to grow with us. For military, this may mean transfer and/or retraining, but it may also mean transition to new “leading edge” opportunities. For civilians, while it could mean loss of Federal Employment, it could, like the military, mean transfer, or it could result in conversion to part of the contractor workforce. Current personnel policies will be reviewed and changed as appropriate to ensure we have the most viable programs available to work future retraining and crossflow programs.

11. What is “JUMP START”? What does it have to do with O&P and with the Quadrennial Defense Review?

A: JUMP START is the next large round of outsourcing for the Air Force. It targets non-military essential functions, generally in support areas that are being identified jointly by the Air Staff and the MAJCOMs. It provides a means to meet QDR requirements for the Air Force of the 21st century, while generating savings for modernization. In other words, JUMP START is the program name for a systematic approach to identify O&P candidates, to help meet recommendations that came out of the QDR. The results of JUMP START will be implemented from FY00 to FY03.

12. If my military position is outsourced at my installation, what will happen to me?

A: Military members will be offered an opportunity to retrain or be reassigned, if there are no positions opened to them on their installation. Those who choose to leave the Air Force will receive ample time to plan, robust transition programs, and possibly, monetary incentives. Involuntary losses will be a last resort.

13. If the military presence in an Air Force Squadron is reduced to only warfighting UTC positions, will I be tapped for deployment so often that I will never see my family?

A: No. (We are carefully monitoring PERSTEMPO impacts by AFS.) HQ USAF Personnel officials track the PERSTEMPO rates for all AFSCs closely, incorporating TDY data input. If we see a particular AFS with excessive PERSTEMPO we will take that career track off the table for competition.

14. Will the contractors/civilians be deployable?

A: They already are. As we move toward more contractor-performed functions, we must build this required flexibility into the contracts.

15. Why are seemingly unsimilar jobs bundled together as one contract?

A: Most contracts that do bundling are bid by contractors who specialize in base operating support (BOS) type functions. Although not linked in AF terms, all BOS jobs have one thing in common: they are support functions. Normally, we realize greater savings with larger contracts. Additionally, having one contract to administer is simpler and more efficient for the Air Force.

16. Is O&P another way to do more with less people or to give up some of our support structure?

A: O&P will enable us to perform our mission at a lower cost, using fewer military and civilian employees but more contractors. In this sense, it is a true force multiplier. It also allows us to preserve our critical support capability at less cost. It does not result in a loss of capability but simply shifts to the most efficient procurement of an existing capability. Don't forget that individuals will still be performing the missions that are outsourced or privatized, but those people may work for contractors or private businesses.

17. Why haven't we seen more privatization efforts? Why improve CONUS family housing instead of having military living downtown on the local economy and just increase military pay?

A: Privatization does not generate the direct dollar savings that can be directed toward other programs (e.g., modernization) like outsourcing and if privatization projects aren't carefully done, they could result in larger "must pay" bills to the AF. Housing privatization will actually

use private funds to upgrade housing conditions which is an improvement to the quality of life for all our troops.

18. Wings do a lot of “unauthorized” work. As we convert military spaces to either MEOs or private sector, is this work being factored in?

A: Some of what you call “unauthorized” work, such as time required to perform additional duties, is already factored into the manpower equation. If there is a valid need to have other specific functions performed, a manpower authorization study needs to be performed and the proper authorizations awarded; most likely such functions could be outsourced or privatized. There will be some jobs the Air Force simply can’t do anymore, and senior Air Force leadership understands this.

19. The Overseas Rotation Index for many functions is likely to be impacted. Is anyone controlling who in the CONUS is outsourced to ensure leaving places for our folks to come back after being overseas.

A: Yes, and just as important, we are controlling outsourcing to ensure that there are enough people in the CONUS to rotate into those overseas positions. In order to keep our overseas billets filled and be able to rotate members back to the CONUS at the end of a reasonable tour length, the Overseas Rotation Index determines how many people are needed in the CONUS to support each overseas position in each AFSC. When the JUMP START process began, considerations such as deployments and overseas rotation ratio were factored in and limited the number of positions in each career field made available for possible O&P. Functional Area Managers and Personnel officials continue to monitor the overall health of individual career fields to ensure we don’t negatively affect our ability to fill our overseas positions.

20. What approach/programs are anticipated to incentivize early-outs/retirements for military members? What about the Civilian workforce?

A: We will facilitate voluntary separations and retirements with liberal early release programs, including active duty service commitment waivers. If Congress approves our request to extend authority to use drawdown tools (e.g., Temporary Early Retirement Authority, commissioned service time and time in grade waivers, Voluntary Separation Incentive/Special Separation Benefit) beyond FY99, we will use these incentives, as appropriate, to effect voluntary losses if necessary and where required.

For the DoD civilian workforce, we will continue to offer Voluntary Early Retirement Authority as necessary. Voluntary separation incentive pay is still authorized in order to prevent involuntary separations; legislation was just passed extending that authority through 30 Sep 01.

21. Has anyone analyzed the amount of real savings from O&P in past studies?

A: Yes, historically we save about 25 to 30% when we outsource. In the last 10 years, the number is actually about 34% by doing larger, multi-function studies.

22. Is anyone working templates for standardized functions, such as, radar maintenance contract, which can be tailored by a base to use to get a contract quicker?

A: All functionals are working on standard model Performance Work Statements which we hope to have out in the near to mid-term.

23. Is any consideration being given to establishing regional contracts for fairly basic functions? Would this save time and money overall?

A: Yes, this is being looked at by the Air Staff; however, packaging outsourcing competitions is decentralized to the MAJCOMs. If regionalization makes sense to a MAJCOM, they will package the initiative accordingly.

24. Is anything being done to give local commanders more flexibility in hiring when MEOs win the A-76 study?

A: We are studying a number of initiatives that are designed to streamline hiring practices when standing up an MEO. Among those are revisions to the Priority Placement Program, delegation of authority to major commands for certain actions that would expedite the hiring process, and revised recruitment strategies. We have begun a dialogue with both OPM and DoD in order to identify the authorities we need and have requested their assistance in gaining them.

25. Will I have to decide right away about whether I want to stay or leave?

A: No. First of all, there is a good chance you won't be affected at all. There will be plenty of time for people to plan/decide. Changes due to O&P are not projected to take effect until FY00 and will continue through FY03. After specific and final changes are announced, you will have time to talk to supervisors, commanders, and families. The bottom line is that if you want to stay, we intend to do all we can to make it possible.